

Message Text

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PAGE 01 NEW DE 04178 161201Z
ACTION NEA-10

INFO OCT-01 ISO-00 INT-05 EB-08 /024 W
-----005913 161208Z /15

P R 161127Z MAR 78
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC PRIORITY 0246
INFO USDOC WASHDC
AMCONSUL CALCUTTA
AMCONSUL BOMBAY
AMCONSUL MADRAS

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DEPT PLEASE PASS TO USGS AND USBURMINES

E.O. 11652: N/A
TAGS: EMIN, BEXP, EQUIP, EINV, IN
SUBJECT: MAJOR PROJECTS: ORISSA SPONGE IRON PROJECT

REF: NEW DELHI 18616

1. DURING RECENT MEETING WITH JOINT SECRETARY R.K. DANG, MINISTRY OF STEEL AND MINES, RESOURCES ATTACHE WAS INFORMED DECISION ON ORISSA SPONGE IRON PROJECT LIKELY BY MARCH END. WHILE OPTIMISTIC OF STEEL MINISTRY ENDORSING PROJECT, DANG, WHO SUPPORTS ORISSA PROJECT, INDICATED THAT THERE WAS STILL STRONG OPPOSITION WITHIN MINISTRY. THIS WAS BASED PRIMARILY ON LACK OF CONFIDENCE IN EXISTING SPONGE IRON TECHNOLOGY. THE SMALL NUMBER OF WORKING PLANTS IN THE WORLD WAS CITED AS AN EXAMPLE. THEREFORE, GOI RELUCTANT TO EXPERIMENT WITH ANOTHER TECHNOLOGY WHEN EVEN LURGI'S PROCESS FOR DEMONSTRATION PLAND IN ANDHRA PRADESH (AP) IS SUSPECT.

2. ASKED IF THERE WAS ANYTHING THAT MIGHT BE DONE TO HELP MOVE PROJECT LONG, DANG SAID IF ALLIS CHALMBERS (AC) WERE
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WILLING TO TAKE LARGER EQUITY (30-40 PERCENT VERSUS 10 PERCENT AC HAS AGREED TO), IT MIGHT QUICKLY BREAK STALEMATE IN COMPANY'S FAVOR SINCE IT WOULD PROVE THAT AC HAD CONFIDENCE IN THEIR OWN TECHNOLOGY (AC HAS AGREED TO 10 PERCENT EQUITY). HE SAW NO PROBLEM OF LATER SELLING EQUITY OR PREPATRIATING 100 PERCENT OF PROFITS DIRECTLY OR BY WAY OF SPONGE IRON. DANG SAID AS LONG AS THE SPONGE IRON MET REQUIRED INDIAN

SPECIFICATIONS THERE WOULD BE NO PROBLEM IN MARKETING IT
LOCALLY, ESPECIALLY SINCE GOI RECENTLY APPROVED IMPORT OF
SCRAP TO MEET SHORTFALL.

3. COMMENT: CRITICISM OF THE STEEL MINISTRY DELAY IN REACH-
ING DECISION IN FAVOR OF AC FOR ORISSA PROJECT HAS RECENTLY
APPEARED IN CALCUTTA'S BUSINESS STANDARD (BS) DATED MARCH 14,
1978. ARTICLE REPORTS THAT GOI PUBLIC SECTOR METALLURGICAL
AND ENGINEERING CONSULTANTS (MINISTRY STEEL) ALONG WITH TWO
JOINT PROMOTERS OF ORISSA SPONGE IRON PROJECT - INDUSTRIAL
PROMOTION AND INVESTMENT CORPORATION OF ORISSA AND TORSTEEL
RESEARCH FOUNDATION FAVOR AC OVER THE TWO GERMAN MULTINATIONAL
STEEL GIANTS KRUPP AND LURGI. HOWEVER, ACCORDING TO BS,
DELAY IS ATTRIBUTED TO BUREAUCRATS IN STEEL MINISTRY WHO
OPPOSE PROJECT IN LIGHT OF RECENTLY APPROVED AP 30,000 MT
PROJECT AND WHO ALSO CLAIM ORISSA 150,000 MT PLAN WOULD CREATE
MARKET GLUT OF SPONGE IRON. BS STATES THAT STEEL MINISTER
PATNAIK, WHO FAVORS AC, DOES NOT AGREE WITH THIS ASSESSMENT
BUT UNABLE TO TAKE SIDES ON PROJECT. (THIS MAY BE DUE TO FACT
MINISTER IS FROM ORISSA) WE DO NOT FORESEE BS ARTICLE HELP-
ING AC'S CAUSE, BUT SEE LITTLE THAT CAN BE DONE AT MOMENT TO
MOVE PROJECT ALONG UNLESS PERHAPS DANG'S COMMENTS ON EQUITY
CARRY SOME WEIGHT. HOWEVER, UNLESS GOI ACTS SOON, THE ORISSA
STATE GOVERNMENT MAY TAKE MORE ACTIVE ROLE TO PROMOTE PROJECT
WITH CENTRAL GOVERNMENT. WE UNDERSTAND CIVIL WORK IS PRO-
CEEDING AT PROPOSED PLANT SITE.
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4. DEPARTMENT MAY WISH TO PASS ABOVE INFORMATION TO DR.
CHARLES ARMITAGE, PRESIDENT, REDUCTION SYSTEMS DIVISION,
ALLIS CHALMBER, MILWAUKEE.
GOHEEN

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Message Attributes

Automatic Decaptioning: X
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Decaption Note:
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